

Message Text

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ORIGIN EA-12

INFO OCT-01 IO-13 ISO-00 STR-05 EB-08 L-03 TRSE-00
COME-00 AGRE-00 CIAE-00 INR-07 NSAE-00 /049 R

DRAFTED BY EA/PHL:JSARTORIUS:PAW
APPROVED BY EA/PHL:BAFLECK
EA/PHL:BAFLECK
STR:LAPP (SUBST.)
EB/ITP:MBAAS (SUBST.)
L/UN:SBOND (SUBST.)
EB/IFD/OIA:BGRIFFITH (SUBST)
TREASURY:WBAREDA (SUBST)
COMMERCE:JJOHNSTON (SUBST)
AGR:FGEERKEN (SUBST.)

-----047780 010104Z /66

R 310221Z DEC 77
FM SECSTATE WASHDC
TO AMEMBASSY MANILA
USMISSION GENEVA

C O N F I D E N T I A L STATE 311115

E.O. 11652: GDS

TAGS: ETRD, MTN, RP

SUBJECT: U.S.-PHILIPPINE ECONOMIC NEGOTIATIONS

REFS: A. GENEVA 11604 B. MANILA 19291 C. MANILA 15940
D. MANILA 19827 E. 19535

1. IT IS PERHAPS MORE THAN COINCIDENCE THAT AMBASSADOR
VEGA'S SUDDEN CALL FOR RESUMPTION OF MTN AND BILATERAL
ECONOMIC NEGOTIATIONS IN JANUARY CLOSELY PARALLELED THE
RECENT CONCLUSION OF U.S-MEXICAN TROPICAL PRODUCT AGREE-
MENT UNDER MTN. MEXICO WAS FIRST LDC TO PART COMPANY
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WITH OTHER DEVELOPING COUNTRIES WHO HAVE ADAMANTLY
REFUSED UP TO NOW TO MAKE ANY SPECIFIC CONTRIBUTIONS IN
RESPONSE TO OUR MTN TROPICAL PRODUCTS OFFER.

2. WE RECALL VEGA MANEUVERS LAST YEAR TO PERSUADE ASEAN
COUNTRIES THAT EACH OF THEM SHOULD AT SAME TIME NEGOTI-
ATE MTN TROPICAL PRODUCT AGREEMENTS WITH U.S. PHILIP-

PINES, WHICH OF ASEAN COUNTRIES HAD MOST TO GAIN FROM PROSPECTIVE TRADE BENEFITS, THUS APPARENTLY INTENDED TO HIDE BEHIND ASEAN IN MAKING ITS DEAL WITH U.S. WHEN THIS EFFORT FAILED (REPORTEDLY BECAUSE OF INDONESIAN REFUSAL), VEGA BEGAN TO AGITATE WITHIN GOP FOR RESUMPTION OF BILATERAL ECONOMIC TREATY TALKS. APART FROM CERTAIN OTHER TRADE (GSP WAIVER) BENEFITS WHICH PHILIPPINES MIGHT REALIZE FROM OVERALL TREATY, MANILA'S GRANTING OF PARTIAL RECIPROCITY IN RETURN FOR MORE FAVORABLE U.S. TREATMENT OF COCONUT OIL, PLYWOOD, ETC., COULD HAVE BEEN DEFENDED IN THIRD WORLD COUNCILS AS NECESSITY TO REACH TREATY AGREEMENT. WHILE TREATY TALKS FLOUNDERED IN SEPTEMBER ON INVESTMENT ISSUE, PORTION OF DISCUSSIONS RELATED TO EXCHANGE OF MTN TRADE CONCESSIONS ADVANCED IN USEFUL AND PROMISING FASHION. ACCORDING TO INTELLIGENCE REPORT, VEGA SUBSEQUENTLY ADVISED MARCOS THAT TREATY WAS NOT POSSIBLE, BUT GOP COULD OBTAIN MOST OF ITS TRADE DESIDERATA THROUGH MTN MECHANISM. FAVORABLE GOP REACTION TO AMBASSADOR NEWSOM'S RECENT SPEECH THAT THERE IS NO PRESSING NEED FOR NEW ECONOMIC TREATY AND THAT (TRADE) ISSUES CAN BE HANDLED THROUGH MTN APPARENTLY PUTS GOP ON THIS POLICY TRACK.

3. AGAINST THIS BACKGROUND AND HIS UNWILLINGNESS TO EXPLAIN PROPOSAL FOR RESUMING BILATERAL DISCUSSIONS IN GENEVA, VEGA'S REAL INTENTION MAY BE TO CONTINUE MTN
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TALKS, USING "ECONOMIC TREATY NEGOTIATIONS" AS COVER TO AVOID LDC CRITICISM. IF GOP CAME TO AN AGREEMENT, WE MIGHT ANTICIPATE MANILA JUSTIFYING ITS DECISION TO OTHER LDC'S AS ONE ARISING FROM PHILIPPINES' SPECIAL, HISTORIC TRADE RELATIONSHIP WITH U.S., MAKING IT VIRTUALLY UNIQUE AMONG OTHER COUNTRIES.

4. ON OUR PART, WE HAVE NO INTENTION AT THIS TIME OF ENGAGING IN ANOTHER ROUND OF BROAD ECONOMIC TREATY DISCUSSIONS. BUT IF FOR PURPOSES OF CAMOUFLAGE, VEGA WANTS TO CALL MTN NEGOTIATIONS SOMETHING ELSE WE WOULD NOT DISPUTE HIS CLAIM. HOWEVER, IF ASKED DIRECTLY BY OTHER COUNTRIES, WE WOULD HAVE TO MAKE IT CLEAR THAT NEITHER INVESTMENT NOR GSP WAIVER ISSUES ARE BEING NEGOTIATED IN GENEVA. WE WOULD EXPECT GENEVA MTN DELEGATION WOULD CHAIR U.S. SIDE IN SUCH TALKS.

5. WE WOULD APPRECIATE YOUR COMMENTS ON FOREGOING. ANY INFORMATION THAT YOU COULD DEVELOP SUGGESTING THAT VEGA MAY HAVE RECEIVED GOP AUTHORIZATION TO EXPLORE AND POSSIBLY CONCLUDE SEPARATE MTN DEAL WITH U.S. USING U.S.-MEXICAN AGREEMENT AS PRECEDENT WOULD, OF COURSE, BE MOST

WELCOME. WE RECOGNIZE, HOWEVER, THAT VEGA MAY HAVE TAKEN INITIATIVE WITHOUT INSTRUCTIONS FROM MANILA IN HOPE THAT HE CAN SUBSEQUENTLY SELL IDEA TO GOP. IF SO, HE MAY NOT HAVE TOO DIFFICULT JOB IN VIEW OF REF D REPORT OF GOP INTEREST IN U.S.-MEXICAN AGREEMENT AND SUAREZ'S INTEREST IN CONTINUING MTN DISCUSSIONS IN GENEVA.

6. ON ASSUMPTION MANILA PERCEIVES NO OBJECTIONS, U.S. WOULD SUGGEST THAT GRAEF IN GENEVA CONTACT VEGA AND EXPLORE MUTUALLY CONVENIENT TIMING FOR RESUMPTION OF MTN TALKS.

CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 31-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE311115
Document Source: CORE
Document Unique ID: 00
Drafter: JSARTORIUS:PAW
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780004-1008
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977121/aaaaaagq.tel
Line Count: 128
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f1dd20fb-c188-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 GENEVA 11604, 78 MANILA 19827
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 100541
Secure: OPEN
Status: NATIVE
Subject: U.S.-PHILIPPINE ECONOMIC NEGOTIATIONS
TAGS: ETRD, RP, US, MTN
To: MANILA GENEVA
Type: TE
vdkgvwkey: odbcr://SAS/SAS.dbo.SAS_Docs/f1dd20fb-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009